A tricky fundraising trail

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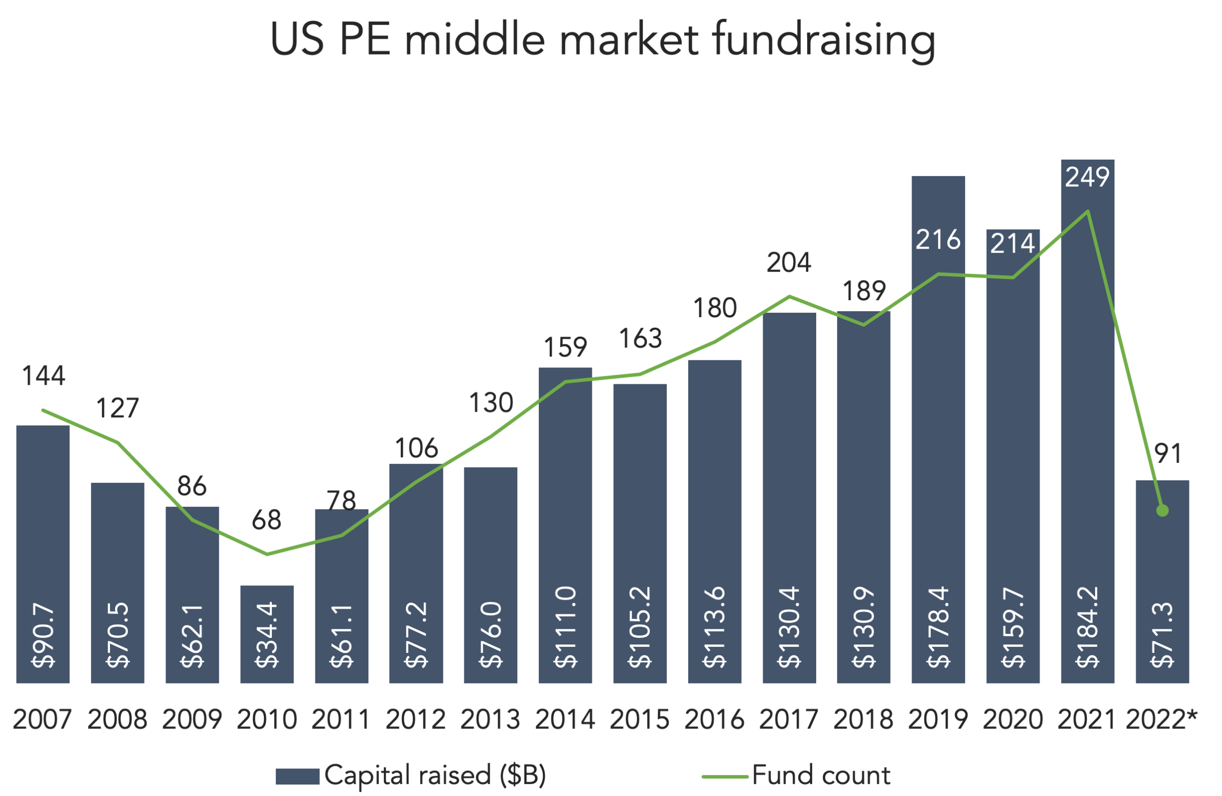

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PE fundraising is slowing, according to PitchBook's latest US PE Breakdown, as a whole and in the middle market. For the past three years, the middle market has raised at least $150 billion, but that might not stretch to a fourth consecutive year. $71.3 billion has been raised at halftime, across 91 vehicles. The latter figure (fund counts) is also on pace to slow this year.

While a slowdown was expected, the middle market faces some new headwinds going forward. Mega-funds ($5B+) are raising capital at a healthy clip, sucking up some of the oxygen for midsized firms. Exits are way down, so there are fewer LP distributions to recycle back into the market. And a possible recession would force investors to hold onto portfolio companies longer, which would slow exit activity even further.

On top of all that, today's inflationary challenge is the toughest one private equity has ever faced. There have been some comparisons to 1990, when the inflation rate topped 5%. But as an asset class, PE wasn't very mature at the time, and it certainly didn't have the reach that it does now. Today's PE industry is in every sector and subsector you can think of, and invests in every size of company, as well. LPs will be watching their GPs closely going forward, to see how they navigate price distortions and if they can maintain healthy returns to their investors.

(Past performance is no guarantee of future results.)